

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3825-02
Bill No.: SB 955
Subject: Taxation and Revenue-Property
Type: Original
Date: January 22, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Blind Pension	\$0	(\$388,000)	\$0
Total Estimated Net Effect on <u>All</u> State Funds	\$0	(\$388,000)	\$0

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Political Subdivisions	\$0	(\$77,682,000)	\$0
Local Government	\$0	(\$77,682,000)	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue** assume no fiscal impact to their organization from this proposal.

Officials from the **Office of Administration, Division of Budget and Planning** defer to the State Tax Commission's estimate of the impact of this proposal.

In response to a similar proposal, officials from the **State Tax Commission** assume total assessed valuation for 2002 is \$68 billion. They assume a six percent increase in valuation for the 2003 reassessment, resulting in \$4 billion of additional valuation, and \$240 million increased revenues for political subdivisions at an average \$6 tax rate.

Oversight assumes the first year affected by the proposal would be calendar year 2003 taxes collected in FY 2004. Oversight also assumes the increase in the Consumer Price Index would be equal to an assumed inflation rate of 3.5%, and calculates the fiscal impact of this proposal as follows:

Assessed valuation for 2002	\$68,000,000,000
Percent of assessed valuation from real property	69.1
Assessed valuation from real property	\$46,988,000,000
Assessed valuation from all other property	\$19,012,000,000
Estimated tax collections lost for 2003 without reassessment 6% of \$68 Billion x \$6 per hundred	<u>(\$244,800,000)</u>
Estimated 2003 real estate tax collections increased based on increase in Consumer Price Index. 3.5% of \$46,988,000,000 x \$6 per hundred	\$98,675,000
Estimated 2003 increase in other property taxes based on 6% increase. 6% of \$19,012,000,000 x \$6 per hundred	<u>\$68,443,000</u>
Estimated total increase for 2003 taxes	<u>\$167,118,000</u>
Estimated net loss for 2003 taxes	<u>(\$77,682,000)</u>

ASSUMPTIONS (continued)

Oversight assumes there would be no loss for 2004 since increases would be equal to the inflation rate and rate of increase in the Consumer Price Index.

Estimated tax collections lost for 2005	
6% of \$73 Billion x \$6 per hundred	<u>(\$262,800,000)</u>

Estimated 2005 real estate tax collections increased based on increase in Consumer Price Index.	
3.5% of \$50,443,000,000 x \$6 per hundred	\$105,930,000

Estimated 2005 increase in other property taxes based on 6% increase.	
6% of \$22,557,000,000 x \$6 per hundred	<u>\$81,205,000</u>

Estimated total increase for 2005 taxes	<u>\$187,135,000</u>
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Estimated net loss for 2005 taxes	<u>(\$75,665,000)</u>
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Oversight assumes there would be losses to the Blind Pension Fund of approximately ½ of 1% of the Political Subdivision losses as a result of this proposal.

In response to a similar proposal, **Department of Elementary and Secondary Education** officials noted that the proposal would decrease assessed values compared to current law, which would increase the amount needed to fully fund the Foundation Formula. They also noted that 1) “hold harmless” districts would recoup their losses through state payments, 2) state payments required by this proposal are not included in the Formula, thus allowing other districts a “double dip” consisting of reimbursements from the state and increased payments through a fully funded Formula, and 3) the effects of the proposal on the Formula should disappear after three or so years because reducing the guaranteed tax base reduces the inflationary adjustment in the Formula for districts to fund inflationary increases in expenses.

Oversight assumes the Foundation Formula issues, if any, would be addressed through the appropriation process and has excluded these costs from the calculation of fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
BLIND PENSION FUND			
<u>Loss</u> - Reduced Property Tax	<u>\$0</u>	<u>(\$388,000)</u>	\$0
ESTIMATED NET EFFECT ON BLIND PENSION FUND	<u>\$0</u>	<u>(\$388,000)</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
POLITICAL SUBDIVISIONS			
<u>Loss</u> - Reduced Property Tax Collections	\$0	(\$77,682,000)	\$0
NET EFFECT ON POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>(\$77,682,000)</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal would limit any increase in value of real property in a reassessment to the increase in the Consumer Price Index.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space. This legislation would affect total state revenue.

SOURCES OF INFORMATION

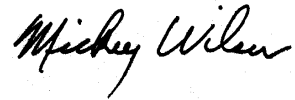
Office of Administration

Division of Budget and Planning

Department of Revenue

NOT RESPONDING

State Tax Commission

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Acting Director
January 22, 2002